

SOUTH CAROLINA DEPARTMENT OF INSURANCE



2005 INSTRUCTIONS

PROPERTY & CASUALTY TAX RETURNS

READ CAREFULLY – IMPORTANT INFORMATION

Users of Computer Software Applications for tax preparation must be sure that the company code, the state of domicile, the company name, NAIC code number, Biennial License Fee, Biennial Fixed License Fee and amount of Quarterly payments appear on the tax form. Failure to enter all of the required information may result in an incomplete filing and subject to penalties.

Note: Only insurers and health maintenance organizations domiciled within the state of South Carolina and foreign health maintenance organizations are required to file a hard copy of their 2005 Annual Statement and hard copies of their 2006 Quarterly Statements with this Department.

1. **Property and Casualty Insurers** - Attach a copy of Schedule T and a copy of the South Carolina Business Page 20 from the annual statement.

Title Insurers - Attach a copy of Schedule T from the annual statement.

Reciprocal Insurers – Attach a copy of Schedule T and a copy of the South Carolina Business Page 20 from the annual statement. Insurers organized as Reciprocal Exchanges will pay \$400.00 for **each** attorney-in-fact in the year that the Biennial License Fee is collected. Reciprocals must add this amount to the Biennial License Fee of \$800.00 plus the attorney-in-fact fee.

(Please note Schedule 04 page 2 of the tax return.) Recoupment is no longer broken out from lines 19.20, 19.40 & 21.10 on a separate Business Page Supplement. The recoupment charges have always been part of the premium and always taxed. These recoupment charges should be reported on Lines 19.20, 19.40 & 21.10. Any recoupment charge paid by policyholders must be considered premium for the purpose of calculating premium taxes and commissions and is subject to normal policy cancellation procedures. Refer to S.C. Code Ann. § 38-77-620 (1) (Supp. 2004). Schedule 04 of the premium tax return, the S.C. Business Page 20 and Schedule T from the annual statement must agree and insurer should report to NAIC the same as reporting to South Carolina. These schedules are intended to exhibit the amount of premiums allocated to South Carolina and should be the basis of premium tax calculations.

2. Round taxes to the nearest dollar.
3. Round premiums to the nearest dollar.
4. Tax return must be typed.
5. Tax return should be printed on **yellow paper**. Photocopies or reprints in other colors will not be accepted.
6. Submit one check only per company payable to the South Carolina Department of Insurance. Sign, notarize, and provide name and telephone number/extension (**toll free where possible**) and **e-mail address**, if applicable, of person preparing tax return. **Please print name below signature.**

Annual tax returns are due in this Department on or before March 1, 2006. **(Date stamped by this Department not postage date.) Tax returns received by this Department without all required attachments and information will be rejected. Resubmitted tax returns received after the due date will be considered late.**

Compliance with South Carolina requirements is the Company's responsibility. **Failure to comply could result in an administrative fine of up to \$30,000.** Your attention is directed to S.C. Code Ann. §§ 38-2-10 (Supp. 2004) and 38-5-130 (Supp. 2004).

Schedule 01 - South Carolina Taxes and Obligations (All Insurers)

1. Enter the Biennial License Fee of \$800.00 on Schedule 01 Line 0101. Refer to S.C. Code Ann. § 38-7-10 (A) (Supp. 2004). **There will be license fees collected March 1, 2006.**
2. Reciprocal insurers enter the Biennial License Fee of \$800.00 plus the \$400.00 for **each** attorney-in-fact.
3. Enter the Biennial Fixed License Fee of \$400.00 for each line of authority on Schedule 01 Line 0102. (Accident & Health - \$400.00, Property - \$400.00, Casualty - \$400.00, Surety - \$400.00, Marine - \$400.00, Title - \$400.00) Refer to S.C. Code Ann. § 38-7-10 (B) (Supp. 2004). **There will be license fees collected March 1, 2006.**
4. Enter the total amount of quarterly taxes paid in June, September and December 2005, on Schedule 01 Line 0160.
5. Enter South Carolina taxes due in Schedule 01. This Schedule is a recapitulation of the other Schedules on the Return.
6. The figure in Line 0199 is the amount you should remit for payment. If the total amount of taxes due is negative, a refund will be issued. **Do not apply to next quarter.**

Schedule 02 - Computation of Retaliatory Taxes (Foreign Insurers Only)

South Carolina law requires that retaliatory taxes for foreign insurers be calculated by the use of an aggregate approach instead of an item-by-item approach. The aggregate requirements imposed by the foreign state for the privilege of doing business therein, including taxes levied under local ordinances, are compared with the aggregate requirements imposed in South Carolina for the privilege of doing business here, including taxes levied under local ordinances.

Complete Column A showing all taxes, fees, assessments and obligations due in this State. Complete Column B showing all taxes, fees, assessments and obligations a South Carolina insurer would be required to pay your Domiciliary State under identical conditions. If the foreign state's aggregate total is greater than South Carolina's, the difference is collected from the foreign insurer as a retaliatory tax. If the remainder is negative, there is no retaliatory tax due.

A separate worksheet and/or home state tax return must be furnished showing rates, premium figures, and calculations. If this is not furnished, the Company may be subject to disciplinary action for failure to follow instructions.

Line 0209 - Municipal Tax

A list of the cities and taxes paid to each during **2005** must be furnished if an amount is shown in Column A Line 0209. A copy of the assessment sheet must be furnished.

Line 0210 - Second Injury Fund

A copy of the Assessment Certificate or check must be attached.

Schedule 03 - Biennial Fixed License Fee

1. A separate letter of request must accompany any change in Lines of Authority from previous year.
2. Enter the lines of authority for your company.
3. Enter the Biennial Fixed License Fee for your company. (This amount should be entered on Schedule 01 Line 0102.

Schedule 04 - Exhibit of Premiums and Dividends (To Nearest Dollar)

1. **Review this Schedule carefully to insure proper reporting of premiums. (Note: there is no recoupment breakout for Lines 19.20, 19.40, and 21.10. Round premiums to the nearest dollar.**
2. Use whole dollars - no cents.
3. All entries must balance to the Business Page and Schedule T of the Annual Statement. Schedule T, Line 41 must agree with Line 99.99, Column A of Schedule 04 on the Fee and Tax Return.

4. Indicate negative figures by parentheses () only.
5. Be certain that the figures balance to the TOTAL line 99.99 when added.
6. Mobile Home Premiums should be reported as follows:
 1. Premium for coverage on mobile homes at fixed locations should be reported as Homeowners Multiple Peril and Farmowners Multiple Peril as applicable.
 2. Premium for coverage on mobile homes in transit should be reported as Inland Marine.
 3. Premium for coverage on motor homes, travel trailers, etc. should be reported as Private Passenger Auto Physical Damage and Private Passenger Auto Liability as applicable.
7. Premiums for Federal Flood should be reported on the tax return at line number 02.30.
8. Premiums for Glass should be reported on the tax return under Allied Lines (02.10).

Schedule 05 - Insurance Premium Taxes (To Nearest Dollar)

1. Negative premiums generate zero taxes.
2. Report **NET** premiums (direct premiums less dividends) and multiply by tax rates.

Schedule 06 - Insurance Premium Tax Credits Allowable - Attach Assessment Certificates

1. **South Carolina Life & Health Guaranty Association Tax Credit.** A 20% tax credit of the total guaranty assessment amount is allowed. This credit may not reduce the member's tax liability below zero. Any unused credit is lost and cannot be carried forward. **A copy of each Assessment Certificate must be attached to receive credit. Copies must be legible.**
2. **South Carolina Health Insurance Pool Tax Credit.** This credit may not reduce the member's tax liability below zero. The credit should be applied to the tax year in which it was paid. Any unused credit may be carried forward three years after the date of payment. **A copy of each Assessment Certificate must be attached to receive credit. Copies must be legible.**

Act 231 of 1996 allowed certain tax credits for insurers to spur economic growth and development in certain areas of South Carolina. Most of these credits correspond with credits to tax liabilities offered in Chapter 6 of Title 12 of the South Carolina Code. These credits should be reported in Schedule 06 on the South Carolina Premium Tax Return. Credits cannot reduce the company's tax liability below zero. Refer to www.sctax.org, Forms and Instructions, Current Forms and Instructions, Corporate Tax Return and then Tax Credits for explanation of credits and forms. Appropriate schedules should be furnished.

Schedule 07 - Fire Inspection Tax, Fire Department Tax, and Fire Maintenance Tax

1. Use whole dollar amounts.
2. Report **Net** premiums and multiply by percentages listed.
3. **Do not** use negative figures in the "Taxable Premiums" column.
4. Total Net Fire Premiums Taxable, Line 0798 must be the same as Schedule 08, Total, Line 0899.
5. Multiply the total net fire premiums taxable by the FI/FD/FM tax rate of 2.35% and round to the nearest dollar.

Schedule 08 - Distribution of Net Fire Premiums (To Nearest Dollar)

1. Use whole dollar amounts.
2. The total of all county premiums **must be the same** as the Total Net Fire Premiums Taxable in Schedule 07, Line 0798.

Please Note: Schedule 08 Distribution of Net Fire Premiums. If the county distributions vary 10% from last year, whether an increase or decrease, a written explanation must be attached to the tax return.

****Refer any questions on premium taxes to (803) 737-6235, (803) 737-6136 or (803) 737-6082. ****

www.doi.state.sc.us